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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington DC 20554

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SEP 16 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Policy and Rules Concerning the)
Interstate, Interexchange Marketplace)
Implementation of Section 254(g) of the)
Communications Act of 1934, as amended)

CC Docket No. 96-61

**U S WEST, INC.'S PETITION FOR CLARIFICATION,
OR, IN THE ALTERNATIVE, RECONSIDERATION**

U S WEST, Inc. hereby respectfully submits this Petition For Clarification,
Or, In the Alternative, Reconsideration ("Petition") of the Federal Communications
Commission's ("Commission") Report and Order in the above-captioned docket.¹
U S WEST, Inc. participated in the initial phase of this docket, filing both
comments and reply comments.

This Petition is very limited, seeking clarification or modification only of that
part of the Order which would seem to require that interstate interexchange rates
for U S WEST Communications Group, Inc. (or "U S WEST Communications
Group") be integrated with the rates for U S WEST Media Group, Inc. (or
"U S WEST Media Group"). U S WEST Media Group and U S WEST
Communications Group are owned by the same parent holding company,
U S WEST, Inc. (which is not itself a provider of telecommunications services).

¹ Policy and Rules Concerning the Interstate, Interexchange Marketplace;
Implementation of Section 254(g) of the Communications Act of 1934, as amended,
CC Docket No. 96-61, Report and Order, FCC 96-331, rel. Aug. 7, 1996 ("Order").

026

These two companies operate on a completely separate basis -- indeed, they are accountable to different investors pursuant to a targeted stock plan. U S WEST, Inc. submits that the Order in this proceeding does not apply to these two subsidiaries, and requests clarification to this effect. Should it be determined that the Order would indeed require rate integration of these two subsidiaries, U S WEST, Inc. hereby requests limited reconsideration of the Order to specify that it does not require that U S WEST Media Group, Inc. and U S WEST Communications Group, Inc. integrate their rates.

U S WEST Media Group, Inc. and U S WEST Communications Group, Inc. are both subsidiaries of U S WEST, Inc. U S WEST, Inc. is a holding company and not a telecommunications provider under the Telecommunications Act of 1996.² U S WEST Media Group and U S WEST Communications Group both provide telecommunications services to the public. There is no reason to expand the rate integration provisions of the 1996 Act to a situation where two subsidiaries of a single holding company are operated with the degree of independence as U S WEST, Inc. operates these two aspects of its business. In the case of the companies at issue here, the two subsidiaries are operated independently pursuant to what is known as a “targeted stock” plan whereby investors can invest in U S WEST, Inc. stock targeted directly (and solely) to one of these two specific business subsidiaries of U S WEST, Inc. Fundamentally, U S WEST Media Group

² Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996) (“1996 Act”).

and U S WEST Communications Group operate independently, and sell different products under different brands to different sets of customers. Because of the degree of autonomy described in the targeted stock proxy statement filed with the Securities and Exchange Commission ("SEC"), there is no reason to apply the rate integration rules to the U S WEST Media Group, Inc. and the U S WEST Communications Group, Inc.

On September 5, 1995, U S WEST, Inc. filed a Proxy Statement with the SEC and distributed this proxy statement to its shareholders, giving notice of a special shareholders meeting to be held on October 31, 1995. The main proposal for consideration at the special meeting was to vote on an Agreement and Plan of Merger ("Agreement") which would have the ultimate effect of splitting the U S WEST, Inc. stock into two classes -- one for the U S WEST Communications Group, Inc. and one for the U S WEST Media Group, Inc. While both classes of stock are issued by U S WEST, Inc., investors can choose which part of the U S WEST, Inc. business they seek to invest in. The Agreement was approved at the special shareholders meeting. A copy of the Agreement is attached hereto as Exhibit 1.

The reason for the U S WEST, Inc. board of directors' recommendation of approval of the Agreement and an attendant Recapitalization Proposal was set forth in the proxy statement as follows:

The Recapitalization Proposal is intended to enhance shareholder value by providing shareholders with securities that should reflect separately the performance of the Company's communications and multimedia businesses. It should enable investors to gain a better understanding of the value

inherent in these businesses and allow shareholders to invest in either or both securities depending upon their investment objectives.³

The Agreement and Recapitalization Proposal were duly approved by the shareholders of U S WEST, Inc. U S WEST Communications Group, Inc. and U S WEST Media Group, Inc. are now separately traded on the New York Stock Exchange.

As a practical matter, the two subsidiaries are expected to pursue their individual business interests and opportunities, subject to the overall fiduciary relationship between the board of directors and the total corporation.⁴ An elaborate procedure has been put into place to deal with potential conflicts between the perceived best interests of the two subsidiaries.⁵ In other words, the business operations of the two subsidiaries were designed to operate independently, and the notion of rate or price integration is simply foreign to the notion of this separate operation to meet the needs of two separate sets of investors.

In this context, it would seem that the rate integration provisions of Section 254(g) do not apply to the interstate interexchange operations of U S WEST Media Group, Inc. and U S WEST Communications Group, Inc. U S WEST, Inc. had so assumed until the Order was released and the following language appeared:

We reject GTE's view that Section 254(g) does not require MTC to integrate rates with other GTE affiliates. The statute mandates that the Commission require rate integration among all states, territories,

³ Exhibit 2, Proxy Statement at 17.

⁴ Id. at 33-34.

⁵ Id. at 42-43.

and possessions, and this goal is best achieved by interpreting “provider” to include parent companies that, through affiliates, provide service in more than one state. Moreover, nothing in the record supports a finding that Congress intended to allow providers of interexchange service to avoid rate integration by establishing or using their existing subsidiaries to provide service in limited areas. Thus, we determine that GTE, for the purposes of Section 254(g), constitutes a “provider” of interexchange services within the meaning of that section, and that it must integrate rates across affiliates.⁶

A literal reading of this language would indicate that the rate integration provisions of the Commission’s rules, tracking as they do the language of Section 254(g) of the 1996 Act, apply to U S WEST, Inc., in addition to U S WEST Media Group, Inc. and U S WEST Communications Group, Inc.

On reflection, however, such an interpretation would seem extremely strained and contrary to the public interest. The term “provider” of telecommunications service is defined in the 1996 Act as coterminous with “telecommunications carrier.”⁷ U S WEST, Inc. is clearly not a telecommunications carrier -- having established this basic principle in court.⁸ Hence, simple deduction demonstrates that U S WEST, Inc. is not a “provider” of interexchange telecommunications services under Section 254(g). As such, its subsidiaries are not collectively subject to the rate integration provisions of Section 254(g) as a simple matter of statutory interpretation (although individually U S WEST Communications Group and U S WEST Media Group are, of course, subject to rate

⁶ Order ¶ 69.

⁷ 1996 Act, 110 Stat. at 60 § 3(a)(49).

⁸ US WEST, INC. v. FCC, 778 F.2d 23, 28 (D.C. Cir. 1985).

integration). The highest corporate level at which telecommunications services are provided to the public is U S WEST Media Group and U S WEST Communications Group.

Perhaps more significantly, it would make no sense to require integration of rates of two subsidiaries operating in a targeted stock structure. By definition the two subsidiaries are not integrating their rates -- they are conducting different and separate businesses with different products marketed under separate brands, targeted to the expectations of different groups of investors. Rate integration in this context would make no sense.

Moreover, it cannot be argued that U S WEST, Inc. established a targeted stock structure to avoid rate integration. Clearly no business entity would go through the rigors of a targeted stock structure as a sham device to avoid rate integration -- the mere heft of the attached proxy statement is powerful evidence to this fact. In other words, the U S WEST Media Group, Inc. and the U S WEST Communications Group, Inc. have perfectly rational business reasons for carrying on their separate business activities on behalf of their different groups of investors. To countermand these business reasons and demand that the two subsidiaries integrate their long distance rates would not make sense.

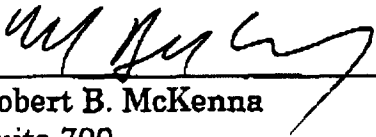
Wherefore, U S WEST, Inc. respectfully requests that the Commission clarify that the rate integration provisions of the Order do not apply to the U S WEST Media Group, Inc. and U S WEST Communications Group, Inc. In the alternative, U S WEST, Inc. requests that the Commission reconsider the Order to specify that

the rate integration provisions of the rules do not apply to subsidiaries of a holding company which are ultimately responsible to different groups of investors pursuant to a targeted stock structure.

Respectfully submitted,

U S WEST, INC.

By:


Robert B. McKenna
Suite 700
1020 19th Street, N.W.
Washington, DC 20036
(303) 672-2861

Its Attorney

Of Counsel,
Dan L. Poole

September 16, 1996

EXHIBIT 1

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of August 17, 1995, between U S WEST, INC., a Colorado corporation ("U S WEST"), and U S WEST, INC., a Delaware corporation and wholly-owned subsidiary of U S WEST ("U S WEST Delaware").

WHEREAS, U S WEST's authorized capital stock consists of 2,000,000,000 shares of Common Stock, without par value ("Existing Common stock"), and 50,000,000 shares of Preferred Stock, par value \$1.00 per share, of which 2,000,000 shares have been designated Series A Junior Participating Cumulative Preferred Stock, par value \$1.00 per share, and 50,000 shares have been designated Series B Cumulative Redeemable Preferred Stock, par value \$1.00 per share ("Existing Series B Preferred Stock");

WHEREAS, at the close of business on August 7, 1995, 471,329,711 shares of Existing Common Stock and 50,000 shares of Existing Series B Preferred Stock were issued and outstanding and 2,000,000 shares of Existing Series A Preferred Stock were reserved for issuance upon exercise of preferred stock purchase rights (the "Existing Rights") pursuant to the Rights Agreement, dated April 7, 1989, as amended, between U S WEST and State Street Bank and Trust Company, as Rights Agent, (the "Rights Agreement");

WHEREAS, U S WEST Delaware's authorized capital stock consists of 1,000 shares of Common Stock, par value \$0.01 per share, of which 100 shares are issued and outstanding and held by U S WEST;

WHEREAS, immediately prior to the Effective Time (as defined herein), the certificate of incorporation of U S WEST Delaware will be amended and restated (as so amended and restated, the "Restated Certificate") to, among other things, authorize (a) 2,000,000,000 shares of U S WEST Communications Group Common Stock, par value \$.01 per share ("Communications Stock"), (b) 2,000,000,000 shares of U S WEST Media Group Common Stock, par value \$.01 per share ("Media Stock"), and (c) 200,000,000 shares of Preferred Stock, par value \$1.00 per share, of which 10,000,000 shares will be designated Series A Junior Participating Cumulative Preferred Stock, par value \$1.00 per share, 10,000,000 shares will be designated Series B Junior Participating Cumulative Preferred Stock, par value \$1.00 per share, and 50,000 shares will be designated Series C Cumulative Redeemable Preferred Stock, par value \$1.00 per share ("New Series C Preferred Stock");

WHEREAS, the Board of Directors of U S WEST has determined that it is advisable and in the best interests of U S WEST that U S WEST merge with and into U S WEST Delaware (the "Merger"), with U S WEST Delaware continuing as the surviving corporation (the "Surviving Corporation"), and has adopted this Agreement and has approved the transactions contemplated hereby and has recommended the approval by the shareholders of U S WEST of this Agreement; and

WHEREAS, the Board of Directors of U S WEST Delaware has determined that the Merger is advisable and in the best interests of U S WEST Delaware and has approved this Agreement and the transactions contemplated hereby.

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

THE MERGER

1.1. *The Merger.* Subject to the terms and conditions of this Agreement, U S WEST shall be merged with and into U S WEST Delaware in accordance with the Colorado Business Corporation Act (the "CBCA") and the Delaware General Corporation Law (the "DGCL"). From and after the Effective Time, the separate corporate existence of U S WEST shall cease and U S WEST Delaware shall continue as the Surviving Corporation and shall succeed to and assume all the rights and obligations of U S WEST and U S WEST Delaware in accordance with the DGCL.

1.2. *Effective Time.* The Merger shall become effective (the "Effective Time") following the due filing of (i) articles of merger (the "Articles of Merger") with the Colorado Secretary of State in accordance with the CBCA and (ii) this Agreement or a certificate of merger (the "Certificate of Merger") with the Delaware Secretary of State in accordance with the DGCL, or at such later time as is specified in the Articles of Merger and the Certificate of Merger.

1.3. *Certificate of Incorporation and Bylaws.* The Restated Certificate shall be the Certificate of Incorporation of the Surviving Corporation after the Effective Time, until thereafter changed or amended as provided therein or by applicable law. The Bylaws of U S WEST Delaware (the "Bylaws") shall be the Bylaws of the Surviving Corporation after the Effective Time, until thereafter changed or amended as provided therein or by applicable law.

1.4. *Directors and Officers.* The directors and officers of U S WEST at the Effective Time shall be the directors and officers, respectively, of the Surviving Corporation after the Effective Time, until expiration of their current terms as such, or prior resignation, removal or death, subject to the Restated Certificate and the Bylaws.

1.5. *Rights Agreement.* As of the Effective Date, the Rights Agreement shall be amended and restated to provide for (i) the assumption by U S WEST Delaware of all of the rights and obligations of U S WEST thereunder, (ii) the creation of preferred stock purchase rights with respect to the Communications Stock (the "Communications Rights") and (iii) the creation of preferred stock purchase rights with respect to the Media Stock (the "Media Rights").

ARTICLE II

CONVERSION AND EXCHANGE OF STOCK

2.1. *Conversion.* As of the Effective Time, by virtue of the Merger and without any action of the part of any stockholder of U S WEST:

(a) Each issued and outstanding share of Existing Common Stock, together with the Existing Right thereon, other than Dissenting Shares (as defined herein), shall be converted into and become (i) one validly issued, fully paid and non-assessable share of Communications Stock, together with a Communications Right thereon, and (ii) one validly issued, fully paid and non-assessable share of Media Stock, together with a Media Right thereon.

(b) Each issued and outstanding share of Existing Series B Preferred Stock shall be converted into and become one validly issued, fully paid and non-assessable share of New Series C Preferred Stock.

(c) Each share of Existing Common Stock that is owned by U S WEST or by any subsidiary of U S WEST shall be cancelled and retired and shall cease to exist.

(d) Each share of Common Stock of U S WEST Delaware that is owned by U S WEST at the Effective Time shall be cancelled and retired and shall cease to exist.

2.2. *Exchange Procedures.* (a) As of the Effective Time, each certificate theretofore representing issued and outstanding shares of Existing Common Stock, other than the Dissenting Shares ("Existing Certificates"), shall be deemed for all purposes to evidence ownership of, and to represent, the same number of shares of Communications Stock. The registered owner on the books and records of U S WEST Delaware or its transfer agents of any such Existing Certificate shall, until such certificate is surrendered for transfer pursuant to this Section 2.2, have and be entitled to exercise any and all voting and other rights with respect to, and receive any and all dividend and other distributions upon, the shares of Communications Stock evidenced by such Existing Certificate.

(b) As soon as practicable after the Effective Time, such bank or trust company as U S WEST Delaware may designate (the "Exchange Agent") shall mail to each holder of record of Existing Certificates certificates representing the number of shares of Media Stock ("Media Certificates") to which such holder is entitled pursuant to Section 2.1 hereof and information pursuant to which such holder may exchange Existing Certificates for certificates representing shares of Communications Stock ("Communications Certificates"), which shall specify that delivery shall be effected, and risk of

loss and title to the Existing Certificates shall pass, only upon delivery of the Existing Certificates to the Exchange Agent. In lieu of certificates, enrollees in the U S WEST Shareowner Investment Plan will receive a statement setting forth their holdings of Communications Stock and Media Stock.

(c) Upon surrender, in accordance with the information delivered pursuant to Section 2.2(b)(ii), of Existing Certificates for cancellation to the Exchange Agent or to such other agent or agents as may be appointed by U S WEST Delaware, duly executed, the holder of such Existing Certificates shall be entitled to receive in exchange therefor Communications Certificates representing a number of shares of Communications Stock equal to the number of shares of Existing Common Stock represented by such Existing Certificates. If any Communications Certificate is to be issued in a name other than that in which the Existing Certificate surrendered in exchange therefor is registered, it shall be a condition of the issuance thereof that the Existing Certificate so surrendered shall be properly endorsed and the signatures thereon properly guaranteed and otherwise proper in form for transfer and that the person requesting such exchange shall pay to the Exchange Agent any transfer or other taxes required by reason of the issuance of a Communications Certificate in any name other than that of the registered holder of the Existing Certificate surrendered, or otherwise required, or shall establish to the satisfaction of the Exchange Agent that such tax has been paid or is not payable.

(d) At the Effective Time, the stock transfer books of U S WEST shall be closed and no transfer of shares of Existing Common Stock shall thereafter be made. If, after the Effective Time, Existing Certificates are presented for transfer to the Surviving Corporation, they shall be cancelled and exchanged for Communications Certificates representing the number of shares of Communications Stock represented by such Existing Certificates.

2.3. *Dissenting Shares.* Each share of Existing Common Stock (i) as to which a written notice of intent to demand payment was submitted to U S WEST prior to the vote of U S WEST's shareholders taken on this Agreement at a special meeting of the shareholders of U S WEST convened to consider and vote upon the approval of this Agreement (the "Special Meeting"), (ii) which is not voted in favor of adoption of this Agreement at the Special Meeting, and (iii) as to which a written demand for payment of fair value shall have been or may still be timely filed, and the Existing Certificates for such shares of Existing Common Stock shall have been or may still be deposited, with the Surviving Corporation ("Dissenting Shares"), shall not be converted into shares of Communications Stock and Media Stock. Each holder of Dissenting Shares who becomes entitled under the CBCA to receive payment of the fair value of such holder's Dissenting Shares shall receive such payment from the Surviving Corporation (but only after such fair value shall have been agreed upon or finally determined) and such Dissenting Shares shall thereupon be cancelled. Each Dissenting Share as to which dissenters' rights pursuant to the CBCA shall be effectively withdrawn or lost shall thereupon be deemed to have been converted into, at the Effective Time, one fully-paid and nonassessable share of Communications Stock and one fully-paid and nonassessable share of Media Stock.

ARTICLE III

ASSUMPTION OF OBLIGATIONS

All corporate acts, plans, policies, agreements, arrangements, approvals and authorizations of U S WEST, its shareholders, board of directors and committees thereof, officers and agents which were valid and effective immediately prior to the Effective Time shall be deemed for all purposes to be the acts, plans, policies, agreements, arrangements, approvals and authorizations of U S WEST Delaware and shall be as effective and binding on U S WEST Delaware as the same were with respect to U S WEST.

ARTICLE IV
CONDITIONS

Consummation of the Merger is subject to the satisfaction at or prior to the Effective Time of the following conditions:

4.1. *Shareholder Approval.* This Agreement shall have been approved at the Special Meeting by the affirmative vote of (i) the holders of a majority of the shares of Existing Common Stock outstanding on the record date fixed for determining shareholders of U S WEST entitled to vote thereon (the "Record Date"), voting as a separate class, (ii) the holders of two-thirds of the shares of Existing Series B Preferred Stock outstanding on the Record Date, voting as a separate class, and (iii) the holders of a majority of the shares of Existing Common Stock and Existing Series B Preferred Stock outstanding on the record date, voting together as a single class.

ARTICLE V
MISCELLANEOUS

5.1. *Termination.* At any time prior to the consummation of the Merger, this Agreement may be terminated and the Merger abandoned by the Board of Directors of U S WEST.

5.2. *Amendment.* This Agreement may be amended at any time prior to the Effective Time with the mutual consent of the Boards of Directors of U S WEST and U S WEST Delaware; *provided, however,* that this Agreement may not be amended after it has been adopted by the shareholders of U S WEST in any manner which, in the judgment of the Board of Directors of U S WEST, would have a material adverse effect on the rights of such shareholders or in any manner not permitted under applicable law.

5.3. *Headings.* The headings set forth herein are inserted for convenience or reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

5.4. *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall constitute an original, and all of which, when taken together, shall constitute one and the same instrument.

5.5. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, except to the extent the laws of the State of Colorado shall mandatorily apply to the Merger.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed by its respective officers thereunto duly authorized all as of the date first above written.

U S WEST, INC.
(a Colorado Corporation)

By /s/ JAMES T. ANDERSON
Name: James T. Anderson
Title: Vice President and Treasurer

U S WEST, INC.
(a Delaware Corporation)

By /s/ RICHARD D. MCCORMICK
Name: Richard D. McCormick
Title: Chairman, President and
Chief Executive Officer

EXHIBIT 2



7800 East Orchard Road
Englewood, Colorado 80111

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD OCTOBER 31, 1995

A Special Meeting of Shareholders of U S WEST, Inc., a Colorado corporation ("U S WEST"), will be held at the U S WEST Denver Service Center, 1005 17th Street, Denver, Colorado on October 31, 1995, at 10:00 a.m., Mountain Time, for the following purposes:

1. To consider and vote upon a proposal to approve an Agreement and Plan of Merger, a copy of which is attached as Annex I to the accompanying Proxy Statement and Prospectus, pursuant to which (a) U S WEST would be merged with and into U S WEST, Inc., a Delaware corporation ("U S WEST Delaware"), with U S WEST Delaware continuing as the surviving corporation, (b) each outstanding share of Common Stock of U S WEST would be converted into one share of U S WEST Communications Group Common Stock of U S WEST Delaware and one share of U S WEST Media Group Common Stock of U S WEST Delaware, and (c) each outstanding share of Series B Preferred Stock of U S WEST would be converted into one share of Series C Preferred Stock of U S WEST Delaware, all as more fully described in the accompanying Proxy Statement and Prospectus;

2. To consider and vote upon a proposal to approve the related amendments to the U S WEST 1994 Stock Plan described in Annex IX to the accompanying Proxy Statement and Prospectus;

3. To consider and vote upon a proposal to approve the related amendments to the U S WEST Deferred Compensation Plan described in Annex X to the accompanying Proxy Statement and Prospectus; and

4. To transact any such other business as may properly come before the meeting.

Proposals 2 and 3 are conditioned upon approval of Proposal 1 and will not be implemented if Proposal 1 is not approved by shareholders and implemented by the Board. Accordingly, a vote against Proposal 1 will have the effect of a vote against Proposals 2 and 3.

Only shareholders of record on the books of U S WEST on the close of business on September 5, 1995 will be entitled to vote at the Special Meeting of Shareholders.

By order of the Board of Directors,

A handwritten signature in cursive script, reading "Charles P. Russ, III". The signature is written in dark ink and includes a stylized flourish at the end.

Charles P. Russ, III
*Executive Vice President—Law and
Human Resources,
General Counsel and Secretary*

Englewood, Colorado
September 5, 1995

YOUR VOTE IS IMPORTANT. PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE, WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING.



September 5, 1995

To Our Shareholders:

You are cordially invited to attend a Special Meeting of Shareholders of U S WEST, Inc., a Colorado corporation ("U S WEST"), to be held at 10:00 a.m., Mountain Time, on October 31, 1995 at the U S WEST Denver Service Center, 1005 17th Street, Denver, Colorado.

At this Special Meeting, you will be asked to consider and approve a proposal (the "Recapitalization Proposal") being recommended by U S WEST's Board of Directors to create two classes of common stock that are intended to reflect separately the performance of U S WEST's communications and multimedia businesses and to change the state of incorporation of U S WEST from Colorado to Delaware. If the Recapitalization Proposal is approved, U S WEST will be reincorporated as a Delaware corporation and each outstanding share of U S WEST's existing common stock will be automatically converted into one share of U S WEST Communications Group Common Stock, which is intended to reflect the performance of U S WEST's communications businesses ("Communications Stock"), and one share of U S WEST Media Group Common Stock, which is intended to reflect the performance of U S WEST's multimedia businesses ("Media Stock"). The conversion of U S WEST's existing common stock into Communications Stock and Media Stock is intended to be tax free.

The Recapitalization Proposal will not result in a distribution or spin-off of any assets or liabilities of U S WEST or its subsidiaries. After implementation of the Recapitalization Proposal, holders of Communications Stock and Media Stock will continue to be common stockholders of U S WEST and subject to the risks associated with an investment in U S WEST and all of its businesses, assets and liabilities. U S WEST cannot assure that the combined market values of the Communications Stock and the Media Stock after implementation of the Recapitalization Proposal will equal or exceed the market value of U S WEST's existing common stock. The implementation of the Recapitalization Proposal will also, to an extent, make the capital structure of U S WEST more complex and may give rise to occasions when the interests of the holders of Communications Stock and the holders of Media Stock may diverge or appear to diverge.

If approved, the Recapitalization Proposal will permit separate market valuations of the Communications Stock and the Media Stock based upon the separate operating results of U S WEST's communications and multimedia businesses. It will enable investors to gain a better understanding of these businesses and to invest in either or both securities depending upon their investment objectives. The Recapitalization Proposal would also allow U S WEST to preserve the strategic, financial and operational benefits it currently enjoys as a single company.

If the Recapitalization Proposal is approved by shareholders, the Board of Directors currently intends to pay dividends on the Communications Stock initially at a quarterly rate of \$0.535 per share, which is the current quarterly dividend on U S WEST's existing common stock. With regard to the Media Stock, the Board currently intends to retain future earnings, if any, for the development of the Company's multimedia businesses and does not anticipate paying dividends on the Media Stock in the foreseeable future.

At the Special Meeting, you will also be asked to consider and approve other related Proposals which would amend the U S WEST 1994 Stock Plan and the U S WEST Deferred Compensation Plan to reflect the new capital structure of U S WEST.

The Board of Directors has carefully considered the terms of the Recapitalization Proposal and the related proposals, believes their adoption is in the best interests of U S WEST and its shareholders and unanimously recommends that the shareholders approve their adoption. In arriving at its recommendation, the Board of Directors gave careful consideration to a number of factors, including those described in the accompanying Proxy Statement and Prospectus. Shareholders of U S WEST have the right to dissent from the Recapitalization Proposal and have the fair value of their shares paid to them in cash by submitting a written notice prior to the Special Meeting and following the other procedures outlined in the accompanying Proxy Statement and Prospectus.

Please give these proxy materials careful attention. **It is important that your shares be represented and voted at the Special Meeting regardless of the size of your holdings.** Accordingly, whether or not you plan to attend the Special Meeting, please promptly mark, sign and date the enclosed proxy and return it in the enclosed postage-paid envelope to assure that your shares will be represented at the Special Meeting.

Sincerely,

Richard D. McCormick
Chairman of the Board,
President and Chief Executive Officer

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GLOSSARY OF DEFINED TERMS

Set forth below is a list of certain defined terms used in this Proxy Statement and Prospectus and the Annexes thereto.

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U S WEST, INC.
a Colorado corporation

PROXY STATEMENT

U S WEST, INC.
a Delaware corporation

PROSPECTUS

**SPECIAL MEETING OF SHAREHOLDERS TO BE HELD AT 10:00 a.m.,
MOUNTAIN TIME, ON OCTOBER 31, 1995**

This Proxy Statement and Prospectus (the "Proxy Statement") is being furnished to the shareholders of U S WEST, Inc., a Colorado corporation ("U S WEST"), in connection with the solicitation of proxies by the Board of Directors of U S WEST (the "Board") from holders of outstanding shares of U S WEST's Common Stock, without par value (the "Existing Common Stock"), for use at the Special Meeting of Shareholders of U S WEST to be held at 10:00 a.m., Mountain Time, on October 31, 1995, and at any adjournment or postponement thereof (the "Special Meeting"). This Proxy Statement and the accompanying form of proxy are first being mailed to shareholders of U S WEST on or about September 5, 1995. For an index indicating the pages on which certain terms used in this Proxy Statement are defined, see "Glossary of Defined Terms" located immediately following the Table of Contents of this Proxy Statement.

Holders of Existing Common Stock and Series B Cumulative Redeemable Preferred Stock, par value \$1.00 per share, of U S WEST (the "Existing Series B Preferred Stock") will be asked at the Special Meeting to consider and approve Proposal 1 (the "Recapitalization Proposal") that would create two classes of common stock which are intended to reflect separately the performance of U S WEST's communications and multimedia businesses and change the state of incorporation of U S WEST from Colorado to Delaware. Under the Recapitalization Proposal, shareholders of U S WEST will be asked to approve an Agreement and Plan of Merger (the "Merger Agreement"), dated as of August 17, 1995, between U S WEST and U S WEST, Inc., a Delaware corporation and wholly-owned subsidiary of U S WEST ("U S WEST Delaware"), pursuant to which U S WEST would be merged (the "Merger") with and into U S WEST Delaware with U S WEST Delaware continuing as the surviving corporation. Immediately prior to the effective time of the Merger, the Certificate of Incorporation of U S WEST Delaware would be amended and restated (as so amended and restated, the "Restated Certificate") to, among other things, create two classes of common stock, the U S WEST Communications Group Common Stock, par value \$.01 per share ("Communications Stock"), and the U S WEST Media Group Common Stock, par value \$.01 per share ("Media Stock"). The Communications Stock and Media Stock are sometimes referred to herein collectively as "Common Stock" and individually as a class of "Common Stock." Upon consummation of the Merger, each share of Existing Common Stock would be automatically converted into one share of Communications Stock and one share of Media Stock and each share of Existing Series B Preferred Stock would be automatically converted into one share of Series C Cumulative Redeemable Preferred Stock, par value \$1.00 per share, of U S WEST Delaware (the "Series C Preferred Stock"), having substantially the same rights, preferences and limitations as the Existing Series B Preferred Stock. The conversion of the Existing Common Stock into Communications Stock and Media Stock is intended to be tax free. See "Proposal 1 — The Recapitalization Proposal — Certain Federal Income Tax Considerations." As used herein, the term the "Company" refers to U S WEST prior to the Merger and to U S WEST Delaware following the Merger. The full text of the Merger Agreement, the Restated Certificate and the Bylaws of U S WEST Delaware (the "New Bylaws") are set forth in Annexes I, II and III hereto, respectively. This Proxy Statement also constitutes a prospectus of U S WEST Delaware with respect to the shares of Communications Stock and Media Stock to be issued in the Merger.

The Communications Stock and Media Stock are designed to provide stockholders with securities that are intended to reflect separately the performance of the communications business of U S WEST Communications, Inc. ("U S WEST Communications") and certain other subsidiaries of the Company (the "Communications Group") and the Company's multimedia businesses (the "Media Group"), respectively, without diminishing the benefits of remaining a single company. The Communications Group and Media Group are sometimes referred to herein collectively as the "Groups" and individually as a "Group." The Recapitalization Proposal will permit separate market valuations of the Communications Stock and the Media Stock based upon the separate operating results of the Communications Group and Media Group, respectively. This will enable investors to gain a better understanding of these businesses and to invest in either or both securities depending upon their investment objectives. The Recapitalization Proposal is also intended to provide the Company with greater flexibility in raising capital. The Recapitalization Proposal will not result in a distribution or spin-off to shareholders of any assets or liabilities of U S WEST or any of its subsidiaries. See "Proposal 1 — The Recapitalization Proposal — Background and Reasons for the Recapitalization Proposal."

The reincorporation of the Company in Delaware will not result in any change in the business, management, board of directors, assets, liabilities or net worth of the Company, and the business of the Company will continue to be managed from its corporate headquarters in Englewood, Colorado. It will, however, allow the Company to benefit from Delaware's well-developed corporate laws, which are periodically updated and revised to meet changing business needs. Delaware courts have developed considerable expertise in dealing with corporate issues and a substantial body of case law has been established construing Delaware law and establishing public policies with respect to Delaware corporations. As a consequence, a greater measure of predictability is possible in Delaware with respect to corporate legal affairs than is available in other states. In addition, the Company believes that Delaware law will offer clearer guidance with respect to legal issues that may arise as a result of the existence of separate classes of Common Stock of the Company. For a further discussion of the benefits of Delaware law, see "Proposal 1 — The Recapitalization Proposal — Background and Reasons for the Recapitalization Proposal."

If the Recapitalization Proposal is approved, subject to the legal restrictions on the payment of dividends described in this Proxy Statement, the Board currently intends to pay regular quarterly dividends on the Communications Stock in an amount equal to \$0.535 per share, which is the current quarterly dividend rate on the Existing Common Stock. With regard to the Media Stock, the Board currently intends to retain future earnings, if any, for the development of the Media Group's businesses and does not anticipate paying dividends on the Media Stock in the foreseeable future. Future dividends on the Communications Stock and the Media Stock will be payable when, as and if declared by the Board out of the lesser of (i) all funds of the Company legally available therefor and (ii) the Available Dividend Amount with respect to the relevant Group. Subject to certain conditions, the Communications Stock and the Media Stock may be redeemed or converted into shares of the other class of Common Stock. The relative voting power of shares of Communications Stock and Media Stock will fluctuate from time to time, with each share of Communications Stock having one vote and each share of Media Stock having a variable vote, based upon the relative market values of one share of Media Stock and one share of Communications Stock. The rights of the holders of Communications Stock and Media Stock upon liquidation of the Company will be in proportion to the units of such class of Common Stock (each, a "Liquidation Unit"). Each share of Communications Stock will have one Liquidation Unit and each share of Media Stock will have .80 of a Liquidation Unit. The Liquidation Units of the Communications Stock and the Media Stock were determined by the Company and are based upon, among other factors, each Group's initial level of debt and equity capitalization, each Group's recent historical performance, the market prices of shares of comparable companies that are publicly traded and the current state of the markets for public offerings and other stock transactions. These features, as well as other considerations, are discussed under "Risk Factors" and "Proposal 1 — The Recapitalization Proposal — Description of Communications Stock and Media Stock."

The Restated Certificate provides for the authorization of 4 billion shares of Common Stock, as compared to 2 billion shares of Existing Common Stock which are currently authorized under

U S WEST's Articles of Incorporation (the "Articles"). Of such 4 billion shares, 2 billion would be shares of Communications Stock and 2 billion would be shares of Media Stock. The authorized but unissued shares of Communications Stock and Media Stock would be available for issuance by the Company from time to time, as determined by the Board, for any proper corporate purpose, which could include raising capital, payment of stock dividends, stock splits, providing compensation or benefits to employees or acquiring or investing in other companies or businesses.

There has been no prior market for the Communications Stock or Media Stock. The New York Stock Exchange (the "NYSE") and the Pacific Stock Exchange (the "PSE") have approved, subject to official notice of issuance, the redesignation of the Existing Common Stock as Communications Stock and the listing of the Media Stock. Application will be made to the foreign exchanges on which the Existing Common Stock is listed (the "Foreign Exchanges") to amend the Company's current listing agreements to provide for similar redesignations and listings. See "Proposal 1 — The Recapitalization Proposal — Stock Exchange Listings."

Holders of Communications Stock and Media Stock will be common stockholders of the Company and will be subject to the risks associated with an investment in a single company and all of the Company's businesses, assets and liabilities. Financial effects arising from either Group that affect the Company's results of operations or financial condition could, if significant, affect the results of operations or financial position of the other Group or the market price of the class of Common Stock relating to the other Group and reduce the funds of the Company legally available for payment of future dividends on such class of Common Stock. When evaluating the Recapitalization Proposal, shareholders of U S WEST should be aware of certain risk factors relating thereto. See "Risk Factors."

Shareholders will also be asked to consider and approve Proposal 2 to amend the U S WEST 1994 Stock Plan to authorize the granting of stock awards in either Communications Stock or Media Stock, or both, and Proposal 3 to amend the U S WEST Deferred Compensation Plan to provide for the deferral of compensation by certain employees in phantom units of Communications Stock, Media Stock or both. If Proposal 1 is approved, it will be implemented whether or not Proposals 2 and 3 are approved. If Proposal 1 is not approved, Proposals 2 and 3 will not be implemented.

The Recapitalization Proposal will require the affirmative vote of (i) the holders of a majority of the outstanding shares of Existing Common Stock, voting as a separate class, (ii) the holders of two-thirds of the outstanding shares of Series B Preferred Stock, voting as a separate class, and (iii) the holders of a majority of all outstanding shares of Existing Common Stock and Existing Series B Preferred Stock, voting together as a single class. Shareholders of U S WEST have the right to dissent from the Recapitalization Proposal and have the fair value of their shares of Existing Common Stock paid to them in cash by submitting a written notice prior to the Special Meeting and following the other procedures described under "Proposal 1 — The Recapitalization Proposal — Dissenters' Rights."

The Board has unanimously adopted each Proposal and believes that their approval is in the best interests of the Company and its shareholders. Accordingly, the Board unanimously recommends that the shareholders vote FOR approval of each Proposal.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROXY STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No person is authorized to give any information or to make any representation not contained in this Proxy Statement in connection with the offering and solicitation made hereby, and, if given or made, such information or representation should not be relied upon as having been authorized. This Proxy Statement does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this Proxy Statement, or the solicitation of a proxy, in any jurisdiction or from any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Proxy Statement nor any distribution of the securities offered pursuant to this Proxy Statement shall, under any circumstances, create any implication that there has been no change in the information contained herein or in the affairs of the Company since the date hereof.

AVAILABLE INFORMATION

U S WEST is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports, proxy statements, and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements, and other information concerning U S WEST can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the Commission's Regional Offices at Seven World Trade Center, 13th Floor, New York, New York 10048, and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. Such reports, proxy statements and other information concerning the Company may also be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005 and the PSE, 301 Pine Street, San Francisco, California 94104, the securities exchanges on which shares of the Existing Common Stock are listed.

U S WEST Delaware has filed with the Commission a registration statement on Form S-4 (herein, together with all amendments and exhibits, referred to as the "Registration Statement") under the Securities Act, covering shares of Communications Stock and shares of Media Stock issuable in connection with the Recapitalization Proposal. This Proxy Statement, which also constitutes the Prospectus of U S WEST Delaware filed as part of the Registration Statement, does not contain all of the information set forth in the Registration Statement and the exhibits thereto, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information, reference is hereby made to the Registration Statement, which is available for inspection and copying as set forth above. Statements contained in this Proxy Statement as to the contents of any contract or other document which is filed as an exhibit to the Registration Statement are not necessarily complete, and each such statement is qualified in its entirety by reference to the full text of such contract or document.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents which have been filed by U S WEST with the Commission (File No. 1-8611) are incorporated herein by reference: (i) Annual Report on Form 10-K for the year ended December 31, 1994, (ii) Quarterly Reports on Form 10-Q for the quarters ended March 31, 1995 and June 30, 1995 and (iii) Current Reports on Form 8-K dated January 19, 1995, April 10, 1995, April 18, 1995, May 23, 1995 (as amended by Forms 8-K/A filed on July 12, 1995 and August 24, 1995), June 20, 1995 and July 28, 1995. All documents filed by U S WEST pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Proxy Statement and prior to the date of the Special Meeting shall be deemed to be incorporated by reference into this Proxy Statement and to be a part hereof from the date any such document is filed.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Proxy Statement to the extent that a statement contained herein (or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein) modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Proxy Statement.

U S WEST will provide without charge to each person to whom a copy of this Proxy Statement is delivered, upon written or oral request of such person and by first class mail or other equally prompt means within one business day of receipt of such request, a copy of any or all of the documents which are incorporated by reference herein, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests should be directed to Investor Relations, U S WEST, 7800 East Orchard Road, Englewood, Colorado 80111. In order to ensure timely delivery of the documents, any request should be made before October 24, 1995.

Questions concerning the Proposals to be acted upon at the Special Meeting should be directed to the Company's Information Agent, Beacon Hill Associates, Inc., toll-free at 1-800-253-3814. Additional copies of this Proxy Statement or the Proxy Card may be obtained from the Information Agent or the Company's Investor Relations Department at its principal office.

SUMMARY COMPARISON OF TERMS OF EXISTING COMMON STOCK WITH TERMS OF COMMUNICATIONS STOCK AND MEDIA STOCK

The following is a comparison of the Existing Common Stock and the proposed Communications Stock and Media Stock. This summary is qualified in its entirety by the more detailed information contained in this Proxy Statement and the Annexes hereto. See "Proxy Statement Summary," "Risk Factors," "Proposal 1 — The Recapitalization Proposal — Certain Management Policies," "— Accounting Matters and Policies," "— Description of Communications Stock and Media Stock" and "— Comparison of Shareholder Rights." Unless otherwise defined herein, capitalized terms used in this summary have the respective meanings ascribed to them elsewhere in this Proxy Statement. See "Glossary of Defined Terms" located immediately following the Table of Contents of this Proxy Statement. Shareholders are urged to read carefully this Proxy Statement and the Annexes hereto in their entirety.

	Existing Common Stock	The Recapitalization Proposal	
		Communications Stock	Media Stock
Governing Law:	Colorado	Delaware	Delaware
Business:	All businesses of the Company	<p>The Communications Group is comprised of businesses which provide regulated communications services to customers in the Company's 14 state region (the "Communications Group Region"), including local telephone services, exchange access services and certain long distance services, as well as various new services, including Caller ID, voice messaging and high-speed data networking services.</p> <p>The Communications Group plans to build an interactive broadband telecommunications network in its region, capable of providing a broader range of products and services to its customers.</p>	<p>The Media Group is comprised of:</p> <ul style="list-style-type: none"> • the Company's cable and telecommunications businesses outside of the Communications Group Region, including its cable systems in the Atlanta, Georgia metropolitan area (the "Atlanta Systems") and its investments in Time Warner Entertainment Company, L.P. ("TWE") and TeleWest Communications plc ("TeleWest"); • the Company's wireless communications businesses, including its proposed joint venture with AirTouch Communications, Inc. ("AirTouch") and Mercury One-2-One, its personal communications services joint venture in the United Kingdom; and • the Company's multimedia content and services businesses, including its directory publishing operations.
Issuance:	—	Each share of Existing Common Stock will be converted into one share of Communications Stock and one share of Media Stock.	Each share of Existing Common Stock will be converted into one share of Communications Stock and one share of Media Stock.

	Existing Common Stock	The Recapitalization Proposal	
		Communications Stock	Media Stock
		The Communications Stock is intended to reflect separately the performance of the Communications Group.	The Media Stock is intended to reflect separately the performance of the Media Group.
Number of Shares Outstanding (based on number of shares of Existing Common Stock outstanding as of August 24, 1995):	471,395,359	471,395,359	471,395,359
Listing:	NYSE, PSE and the Foreign Exchanges under the symbol "USW."	The NYSE and the PSE have approved, subject to official notice of issuance, the redesignation of the Existing Common Stock as Communications Stock, which will continue to trade under the symbol "USW." Application will be made to the Foreign Exchanges for similar redesignations.	The NYSE and the PSE have approved, subject to official notice of issuance, the listing of the Media Stock under the symbol "UMG." Application will be made to the Foreign Exchanges for approval of similar listings.
Management Policies:	—	<p>The Company intends to follow certain policies with respect to the businesses of the Communications Group and the Media Group, including (i) the requirement that, subject to certain exceptions, all transactions between the Communications Group and the Media Group be consistent with arm's-length terms and (ii) the use by the Board of its good faith business judgment to allocate corporate opportunities between the two Groups.</p> <p>The Company does not intend to transfer funds between the Groups, except for certain short-term ordinary course advances of funds at market rates associated with the Company's centralized cash management. The Board may, however, in its sole discretion, determine to transfer funds between the Groups as an arm's-length loan or, in the case of transfers from the Communications Group to the Media Group, an equity contribution.</p>	<p>The Company intends to follow certain policies with respect to the businesses of the Media Group and the Communications Group, including (i) the requirement that, subject to certain exceptions, all transactions between the Media Group and the Communications Group be consistent with arm's-length terms and (ii) the use by the Board of its good faith business judgment to allocate corporate opportunities between the two Groups.</p> <p>The Company does not intend to transfer funds between the Groups, except for certain short-term ordinary course advances of funds at market rates associated with the Company's centralized cash management. The Board may, however, in its sole discretion, determine to transfer funds between the Groups as an arm's-length loan or, in the case of transfers from the Communications Group to the Media Group, an equity contribution.</p>